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# *The* MANAGEMENT REVIEW

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# *The* MANAGEMENT REVIEW

*December, 1933*

## **The Importance of Standards of Marketing\***

*By JAMES L. FRI, Managing Director,  
Toy Manufacturers of the U. S. A., Inc.*

**F**ROM the point of view of fair competition, it is not a matter of any great importance what the wages or hours of workers are so long as competing employers and competing industries are on a comparable basis.

From a financial point of view, wages too high may work an undue hardship on the employer but in the long run he has an even chance with his competitors to get back his share of the increased business which these higher wages are supposed to provide. Standards of wage levels on a higher basis simply mean, in theory at least, that employers are called upon to subsidize or advance payroll (purchasing power) for a few months and then all competitors have an equal chance to regain this advance payroll or purchasing power through increased sales.

Unfair competition begins only when employers are denied the opportunity to realize on an equal basis a fair return for their efforts, due to unsound pricing or unsound marketing methods on the part of competitors. The all-important consideration in a code of fair competition, therefore, is not in wage levels—so long as they are within reason and within the employer's ability to pay—but trade practices. If an employer is called upon to increase his costs and is then prevented, because of lack of standards of sound pricing and sound marketing, to have these increased costs returned through sales, then and only then is there unfair competition.

Any code subscribed to by a group of competitors, which provides for standards of wage rates, hours and labor relations, and which does not at the

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same time definitely provide for sound pricing—not price fixing nor price setting—adherence to these prices and sound standards of marketing practice, is not in any sense a code of fair competition and should not be so designated.

As a typical example, one of the most discussed clauses in N. R. A. codes, aside from Section 7 (a), is that of the retailers' code, which merely states that it shall be unfair competition for a retailer "to sell goods for less than 10% above invoice price." Back of the discussion of this clause is something more fundamental and of far greater immediate importance than the mere question as to whether this clause should become a part of a code of fair competition. The real question is *whether a seller has any right to continue to discriminate unjustly between his customers*—how far he should be permitted to take advantage of the gullible customer by marking certain merchandise far below actual selling price and averaging out by marking other merchandise correspondingly higher, how far he has the right to assume that customers are so ignorant of costs.

One of the first and most fundamental lessons in merchandising was learned before the age of six—an objective lesson on the see-saw. When one end was down, the other end was up, the average being the middle—the average being the mark-up which either the retailer or manufacturer must take on his goods in order to make a profit or the standard of practice which he has set up to do business.

Is it unfair competition deliberately to "bait" customers by low mark-ups or "loss leaders" and make up the loss on other lines? Is it unfair competition to grant certain terms to one customer and different terms to others without some economic justification for such differentials? Is it unfair competition to deviate from definite standards of marketing practice, whether it be pricing, discounts or otherwise?

The answer to all these questions obviously is "yes." Yet there are a surprisingly large number of retailers and manufacturers who contend that it is fair competition to barter, to prey upon the customer's lack of knowledge of costs, of standards of practice, in other words to encourage the free and unrestricted use of all the "chiseling tools" which have been in use to an increasing extent during the last few years.

The economist and psychologist agree that a very large part of the cost of marketing, or rather the wastes of marketing, is due to lack of confidence in price and practice; and this lack of confidence is due primarily to a lack of reasonable standards and adherence to reasonable standards of marketing practice.

In general it can be stated very definitely that standards of marketing practices on the part of an industry or trade association are opposed by "chiseling" elements both within the industry and within the ranks of the retail trade.



**Can retail trade associations oppose standards of marketing practices?** Not with clear conscience or straight face. The retail trade associations, whether local or national, have over a period of years been aggressive proponents of standards of marketing practices. Retail stores were the first to adopt "one price to all." They have worked earnestly and aggressively over a period of years to standardize customers' credit terms of 30 days, going to the extent of exchanging experiences through credit associations.

Retailers realize that their profits depend almost entirely upon a certain degree of standards of practice in order to prevent customers from playing one against another to the general detriment of all. How then, can a retail trade association oppose the attempts on the part of manufacturing associations to adopt standards of marketing practices?

Fortunately, N.R.A. has been keen to differentiate between constructive opposition and "ulterior motive" opposition, and there is strong evidence that the burden of proof has been placed upon retailers who oppose any code aimed to standardize trade practices. One of the major objectives of N.R.A. is to decrease or eliminate predatory and "chiseling" practices, and N.R.A. will look with suspicion on all who oppose legitimate trade practices.

The present status of competition and of buyer-seller relationships is well known to all, whether engaged in the production or the distribution end of business. It is sufficient for the purpose of this discussion to state that to an increasing extent the buyer and seller have been meeting on a basis which is, for the most part, unbusinesslike, wasteful and demoralizing to all parties. They have been meeting under conditions which are distasteful to both and there is every evidence that any movement initiated by either the buyer or the seller to improve the situation, will have the support of the other party.

Without attempting in any way to defend either the buyer or the seller or to place the blame for the present sorry conditions on either party, these comments may be made in regard to the present state of affairs:

It is obvious that during a buyer's market, such as we have for the past few years and particularly during the last three years, certain of the conditions which now exist are natural consequences, but in my opinion the buyer has been charged with entirely too much of the blame for taking advantage of a buyer's market, by what is commonly known and well designated as "chiseling" methods. If anyone will diagnose even superficially the conditions under which the buyer operates, he must readily conclude that he has been made largely a creature of circumstance.

The buyer's "ego," which is an important and necessary propelling

force in his make-up, would not permit him to rest in peace, in fact, to hold his job for any considerable time, if he did not get the "best that's to be had" in the market—the best price, the best terms, the best deals in every way. The buyer who fails to take advantage of any weaknesses or any vulnerable points existent in the market would not long continue to buy.

And this is as it should be. I am in thorough accord and in sympathy with the buyer's attempts to take advantage of everything that is available in the market, because his very existence depends upon it. Any group of sellers who think that they can shame a group of buyers into doing otherwise by calling them "chisellers," or other such epithets, simply think that human nature is something that it is not.

#### **Seller's Responsibility for Present Condition**

The cause and answer to our present dilemma as far as marketing practices are concerned, is simple. "Chiseling" started with the seller—the competing vendor, who gave certain concessions to a certain few buyers in order to get business. The seller gave concessions and the buyer took them and continued to take them with increasing demands. *The buyer became a "chiseler" at the seller's invitation and he will cease to be a "chiseler" in exactly the same way.*

Although I have been somewhat disappointed with the lack of enthusiasm with which certain buyers have supported a movement to standardize marketing practices during the past few months, on the whole, I believe it is safe to say that retailers generally are sympathetic toward and will actually support any movement which will remove the lack of confidence which now exists in the manufacturer's methods of pricing and his marketing practices. Soft prices and soft practices lead to losses alike to buyer and seller.

The one unfortunate situation which must be met is the mistaken philosophy which a certain group of buyers have developed over a period of years—accentuated particularly during the past three years—that the margin of net profit which the retail buyer is to realize must be "chiseled" out of the seller, and is measured by the marginal advantage which he is able to obtain over other buyers, the amount which he is able to get under or below the standards of marketing practice of the industry.

The buyer has developed a sort of complex that his profit must come from his getting deviations or concessions from certain standards of terms or practices. For example, the standard cash discount terms of an industry are 2 per cent and the buyer, through some type of slide rule calculations, seems to have convinced himself, that he must have a 5 per cent cash discount, that this additional discount is an element which he can charge to net profit—that it comes mysteriously from somewhere and is presented to him as an additional bonus or profit. Or, he must have an allowance

for advertising, an allowance for demonstration, an allowance for freight, goods on consignment and the like.

Now, it is perfectly obvious that if the price which the manufacturer places on his goods is set with a reasonable degree of accuracy, any deviation from the price, any concession, means just one thing—that the goods are being sold at a loss, that the buyer is simply asking for a donation from the seller—that if these concessions are made to one buyer they must sooner or later be made to a considerable number of buyers and if the manufacturer continues in business they must be taken into consideration and become an element in setting his original price. Is there any advantage?

The sooner the buyer starts to look forward to the public which he is supposed to serve rather than backward to the manufacturer for his profit, the sooner will buyer, seller and consumer profit. The first step in bringing about this intelligent, normal and necessary relationship is for every manufacturer's association to set up standards of marketing practices covering all of the major vulnerable points of attack.

#### **What a Code of Fair Competition Should Include**

If a code of fair competition is to be reasonably fool-proof in regulating the marketing practices of its members, it should contain provisions covering the following:

1. That prices of all products shall be based upon accurate and known costs as established by an adequate cost finding system, which shall be open to inspection at reasonable times by an authorized non-member representative of the association.
2. That employers shall not sell below reasonable costs, (with any exceptions thereto, such as dropped lines, definitely stated).
3. That price lists for all items and revised price lists with discounts or differentials to the different channels of trade be filed with the association.
4. That employers shall not sell directly or indirectly at a lower price, a greater discount or on more favorable terms than those provided for in his current net price list.
5. That definite rules and regulations be laid down governing standards of terms, cash discounts, datings, consignments, etc.

Having arrived at a reasonable price, having provided for adherence to this price in the selling of goods and having laid down definite rules and regulations governing methods of selling, the chief weapons of the buyer, his "chiseling" tools, are removed.

It is obvious, therefore, that a code of fair competition should be built upon the following premise which is felt to be sound, *viz*: that in order to pay adequate wages, manufacturers must agree on a sound basis of pricing and upon sound standards of marketing policies so that merchandising wastes

will be minimized. Adequate wages, intelligent pricing of goods and sound marketing policies are so interrelated and so interdependent, that it would be impractical to consider the one without the other. Payroll must be paid out of returns from the sale of goods and it is obvious that manufacturers cannot continue for long to sell goods below cost and with unsound marketing policies, and pay employees adequate wages.

### **The Pricing and Accounting Section of the Code**

The pricing or accounting section of the Code provides only for agreements "not to sell below reasonable cost, the filing of price lists and price differentials to the different channels of trade, and agreements not to sell below these price lists."

It would be easy to enter into a detailed academic treatise on what constitutes reasonable costs. During the past few weeks there have been presented a multitude of such treatises. Treatises from professional accountants, industrial engineers and others, most of which for practical purposes have simply served to cloud the issue as far as use of such material by the average manufacturer is concerned.

It is my conclusion that the record or accounting systems of most businesses, simple as they may be, are sufficient to give reasonably accurate costs as a basis for arriving at prices—certainly much more accurate prices than have been made in the past. Therefore, the first step in our fair competition program is to get a general acceptance of the principle and spirit of fair pricing—a will to price on a sound basis and real progress will be made toward improving the situation. With the best accounting system obtainable, uneconomic and unreasonable prices will continue if our members are not sold the spirit of the thing.

This open price policy can in no sense be considered price fixing or price regulation. Every manufacturer will arrive at his price independently, by taking into consideration his own costs "as established by an adequate cost finding system." Having arrived at this price, he must then compete with other manufacturers on the basis of the merits of his product.

More than a quarter of a century ago, retailers adopted the open price policy, published their prices openly and affixed them conspicuously to every item of merchandise. Would anyone—economist or consumer—accuse the retailer of fixing prices or of price setting, simply because he was sensible enough to offer his goods on a fixed price basis, thereby increasing confidence in the accuracy with which his prices were determined, and eliminating to a large degree, the loss of time, energy, morale and confidence that resulted from the haggling that accompanied an unstandardized and a varying price policy?

It is assumed, of course, that in the setting of prices and discounts, ade-

quate consideration is given to the economies of large-scale purchasing *versus* small-scale purchasing. These differentials are all provided for in the price lists. This fact is supported by the experiences of practically every manufacturer in whatever industry—prices set below costs of production are inevitably followed by low wages. These two factors, proper pricing and adequate wages, are so closely interrelated that they must be dealt with as one and the same problem.

### The Marketing Practice Section

The marketing practice section of a code shall simply restate the standards of marketing practices which have been a matter of record over a period of years among the more constructive factors in the industry.

Does an open price system and standards of marketing practice place the retail buyer in an unfavorable or inequitable position? Absolutely not! It places the buyer on the basis upon which every really good buyer wants to be placed. With a firm price and with established standards of marketing practice, the buyer can proceed to devote his time and energies to selection, to the constructive elements of merchandising rather than the destructive or predatory and wasteful side of merchandising.

### General Conclusions

1. There is no unfair competition in higher wages. There is unfair competition only where proper pricing and proper selling methods are not enforced.
2. The present lack of standards in buyer-seller relationships is due to the natural consequences of a buyer's market, accentuated particularly during the past three years.
3. The seller is just as much a party to the "chiseling" era, if not more so, as the buyer, because the seller made "chiseling" a necessary requisite for the buyer's success.
4. The responsibility for standards of marketing practice lies almost entirely with the seller, working cooperatively with his competitor through his association.
5. Joint attack on the problems of standards of marketing practices, by all manufacturing associations, would facilitate and expedite the general adoption of basic rules and regulations governing buyer-seller relationships.
6. Fair competition must be based upon the following:
  - a. Prices based upon reasonable costs.
  - b. The filing or registration of these prices and revised prices with the association or controlling agency.
  - c. Agreements not to sell below these prices.
  - d. Agreements to abide by the standards of marketing practice of the industry.



## THE MANAGEMENT INDEX

### Abstracts and News Items

#### GENERAL MANAGEMENT

##### The Crucial Question of Price

On resigning from the Consumers Advisory Board of the NRA, Dr. Ogburn said, "Unless steps are taken to safeguard consumers against rising prices, a grave situation threatens." In amplification of this statement he points out that the long-time aspects of the NRA program have been obscured by the brilliancy of the fireworks accompanying the emergency phase.

Many benefits will accrue to industry as a result of organization. Certain of these benefits are laudable and should receive the utmost support from government and the public. The most outstanding benefit, however, as far as industry is concerned is that which affects price and it is in this direction that Dr. Ogburn sees danger. Irrespective of what may actually be written into basic codes, in practice, pressure will be exerted within an organized industry to eliminate more and more of the variations in costs which lead to competitive advantages. If such eliminations proceeded to the theoretical limit, prices would be the same as in a pure monopoly.

As competition becomes restricted or eliminated, two possibilities appear—direct governmental control of prices for the protection of consumers; or more frequent periods of business depression resulting from the failure to affect inevitable adjustments because of rigid price structures.

"Under the codes now being adopted," Dr. Ogburn concludes, "much good planning can be done. This may be done not only in eradicating unfair competition, in

abolishing child labor, in setting shorter hours and higher wages, but also in conserving natural resources, in preventing failures, and in other desirable social activities. But the crucial question will be price, and the test will be the business cycle." By William F. Ogburn. *Nation's Business*, October, 1933, p. 23:4.

##### "Advertising or Tugwell"

Professor Tugwell's revision of the Food and Drug Act was trampled in the stampede of more urgent legislation during the last session of Congress but there is evidence that his bill has the administration's blessing and an effort will be made to push it through the coming session. The bill is designed to modernize food and drug supervision, to extend to advertising the provisions that now restrict labeling, to bring into the federal harness the hitherto foot-loose cosmetics industry, to provide a curb bit and reins by which the Secretary of Agriculture may exercise almost absolute discipline. It is frankly an advance on a new front in the struggle to bring business more firmly under government "guidance." Interested parties are marshalling their forces for the coming battle and "the professor must tug hard and well to get his measure over without serious alterations." *Business Week*, October 28, 1933, p. 13:2.

##### World Agriculture and the Depression

This study of the relationships between agriculture and world prosperity points to the decline of agricultural prices prior to

1929 as evidence of the then approaching world crisis which developed largely from the lack of purchasing power sufficient to sustain foreign trade.

Remedies are suggested which are designed to eliminate the maladjustments. The nationalistic and protective tariff policies which fostered domestic production in all countries together with other factors which encouraged production and minimized demand, are credited with being the chief causes of the world economic crisis. Monetary factors are relegated to a secondary place in the causal chain, their influence being that of aggravation and acceleration. By Vladimir P. Timoshenko. *University of Michigan Business Studies*, No. 5, 1933. 123 pages.

#### Why and How Distribution Costs Must Be Cut

The economic adviser to the Secretary of Agriculture points out that there has been a tendency for distribution to absorb an increasing share of our national income. This tendency was intensified during the downward plunge of prices from 1929 to 1933 because of the fact that most of the costs which wholesale and retail selling agencies incur are relatively fixed in character. The burden of this changing character of our economic life has fallen most heavily upon our farming population.

It is axiomatic Dr. Ezekiel says that "if we are to secure full recovery over the next few years, costs of raw materials must advance more rapidly than the retail prices at which the resulting products are sold." The extreme divergences in income during the depression resulted largely from the rigid nature of the costs involved in transportation and distribution. To increase the farmer's share, either those costs must be brought down, or the general level of prices must be brought up more nearly in line with what it was when those costs were established. The possible failure of the price-raising measures being adopted by the government places upon retailers and

wholesalers a responsibility to examine "whether their businesses can be so organized or reorganized as to do what they are now doing at less cost" and "whether it is really necessary that they do all the things they do do." In view of these responsibilities, Dr. Ezekiel outlines several avenues by means of which the problem may be approached. By Mordecai Ezekiel. *Advertising & Selling*, September 28, 1933, p. 23:2.

#### Plenty vs. Scarcity

After re-emphasizing the paradox of progress and poverty in our economic life, Professor Dewey urges a revival of interest in the moral and economic philosophy of Henry George. Tinkering with our system is the mode of the hour, he points out, but the tinkers and patchers shut their eyes to the fact that the socially produced annual value of land—not of improvements, but of ground-rent value—is about five billion dollars, and that its appropriation by those who create it, the community, would at once relieve the tax burden and ultimately would solve the tax problem. "I do not claim," he concludes, "that George's remedy is a panacea that will cure by itself all our ailments. But I do claim that we cannot get rid of our basic troubles without it." By John Dewey. *Commerce and Finance*, August 30, 1933, p. 751:2.

#### What's Ahead of Management Under the Codes?

This study, based on contacts made by the author with a number of textile executives, points out that factory operation under the code places a high premium on well-balanced factory management. Profitable operation depends on concentration on one or more of the following phases of management activity: 1. Production planning—plant executives operating under machine-hour limitations are re-vamping planning departments for quicker and more effective control; 2. Use of cost-cutting

equipment—recognition for newer automatic equipment has been forced; 3. Plant cost control—executives using standard costs are in a position to gage the effect of the law upon the costs of their products; 4. Employee relations—industry today requires the absolute loyalty of its secondary line of supervisors; 5. Personnel training—there is a need for more careful selection of workers followed by quick initial elimination, transfer, or training. By R. H. Rositzke. *Factory Management and Maintenance*, October, 1933, p. 407:4.

#### Scientific Management an Aid to Industrial Control

An analysis of the management practices of manufacturing plants in the Twin Cities and Duluth. Management practices in individual plants are considered in order to show what is being done and what might be done when approached from the angle of scientific management. Two basic proposals are made: 1. The introduction of scientific management in individual enterprise; 2. The establishment of cooperative industrial research agencies to serve as a guide to management in meeting the problems caused by the highly dynamic character of our economic society. By George Filippetti. *University of Minnesota Employment Stabilization Research Institute*, 1933. 58 pages.

#### An Academic View of the Deal

In an effort to determine how the legislative program arising out of the New Deal had affected the teaching of business and finance in American colleges, a survey was made of the opinions held by outstanding educators in the field. In spite of their geographical distribution and the fact that they were calculated to represent every shade of politico-economic philosophy, these authorities showed a rather remarkable unanimity of opinion. They held that it is not necessary to introduce new economic courses, or seriously alter old ones. This decision was based on a conviction that the

American economic system as we knew it a year ago has not been abolished or supplanted; furthermore, most courses in economics deal with questions of function, not structure, and these functions—the “fundamental principles” of economics—do not change overnight, nor even over a few years.

One educator is quoted as saying: “The developments of the last six months in Washington give an opportunity to arouse unusual interest in classes dealing with all sorts of economic problems but they have not overthrown the foundations upon which production, consumption and distribution rest. They give ground for shifting of emphasis in instruction but they have not placed the fundamentals of economics in the discard—that, in the long run, is the place where measures which disregard the fundamentals will be found.” *American Bankers Association Journal*, November, 1933, p. 28:4.

#### Sears, Roebuck and Co.—An Epic in a Century of Progress

A description of the evolution of this great organization which is a collection of 10 giant mail order houses, 380 retail stores, groups of factories and 30,000 employees who support about that many families. *Chain Store Age*, September, 1933, p. 20:4.

#### Impact of the Depression on Business Activity and Real Income in Minnesota

Edited by Roland S. Vaile. *University of Minnesota Employment Stabilization Research Institute*, August, 1933. 59 pages.

#### Business Improvement Through the Human Sciences

The science of management is responsible for the future of industry. The success with which this responsibility will be discharged will be mainly dependent on the extent to which industrial management bases its policies on the investigation of the

underlying problems, both physical and human. For the most part, this research is of long-range character. In the future the actual use of scientific research should not lag. In addition, the development of new business tools, based on the analytical approach to commercial problems, should be encouraged extensively. In most industrial concerns, sales management is clearly inferior to production management; marketing practice in particular is deficient in

the application of the scientific method. Management techniques and industrial research are the valuable contributions of science to business and they should be employed generally. The stabilization of business will come only through the broad application of these procedures, along with the adequate utilization of the human sciences. By William A. Hamor. Reprinted from *The Pittsburgh Record*, June-July, 1933. 9 pages.

## FINANCIAL MANAGEMENT

### The Dangers of Credit Inflation

Although currency inflation bears the stigma of a lost cause and unorthodox economics, credit inflation is still widely held a legitimate and desirable panacea despite the fact that we have not recovered from the recent orgy of uncontrolled credit expansion. Of the two methods, history indicates that credit inflation may have far more serious consequences than currency inflation, except where the latter goes to the extreme which characterized mid-European post-war finance. The author traces the substitution of credit expansion for currency expansion in this country, the degree to which credit growth has exceeded the growth in national wealth, the amazing increase in public debt during the past half-year, and through interesting comparisons with French experience questions whether government credit can stand the test in supplanting the private financing of American business.

"The apparent scrapping of much of the existing machinery for the collection and disbursement of capital funds and the attempt to build new machinery at Washington to function in its place," the author concludes, "may not only have a retarding effect on the return to prosperity but introduce vast new problems in our political and economic relations. While it may lead to some brief and sporadic appearance of

prosperity, it must be considered in the nature of a war-time expedient rather than a permanent revision of our economic system, which must remain based upon the profit motive unless we are to revise our whole scheme of living from top to bottom." By Owen Ely. *Barron's*, October 30, 1933, p. 3:2.

### Some Controversial Phases of Standard Costs

Before the advent of standard costs, there was no procedure incorporated in the accounting system to measure satisfactorily the efficiency of the plant or its production centers other than that of comparing actual costs of one period or job lot with the actual costs of another. Considering the relative accuracy of standard and actual costs, the author maintains that no system of cost accounting will yield accurate actual costs. It is his opinion, however, that standard costs will be more nearly accurate than job costs if the standards have been carefully set.

Most systems of standard costs are based upon so-called "normal costs." This term implies a consideration of the performance which should be expected in a well organized and operated plant. Past experience may be used as a guide but it should be used after carefully eliminating avoidable wastes and losses.

Standards once established have a more or less limited period of usefulness but the author maintains that they should be changed only when methods of manufacture change or when there appears to be a more or less permanent change in the price of those things purchased. For the purpose of control of factory efficiency, price variations are not significant. They are segregated and the attention of the factory executives are directed to use variances. The author maintains that volume variance can be worked out most advantageously by the use of a variable budget based upon that amount which would be considered a normal expenditure for different degrees of plant activity. Inasmuch as the operating profit of a fiscal year should show the results of the efforts of management, variances should properly be segregated into those chargeable to the responsibility of management and those beyond the control of management. Variances which are controllable could properly be taken into consideration as a part of the cost of goods sold, and those which are beyond the control of management should be shown as a non-operating profit or loss item as the case might be.

A six-page bibliography on standard costs is appended to the article. By Howard E. Cooper. *N. A. C. A. Bulletin*, September 15, 1933, Sec. I, p. 81:28.

#### U. S. A. versus Canada

Perhaps the most outstanding feature of banking history on this continent has been the stability of the Canadian banks, particularly in recent years, while banks have failed by the thousand in the United States. Fundamental differences in the two banking systems make it difficult to draw meaningful comparisons. It can be shown, however, that despite all the thousands of small banks in the United States, Canadian institutions have maintained more bank facilities per capita than have the banks in this country. In the light of their different experience with failures,

it is significant that, not only have a greater proportion of the United States bank resources been in less liquid form than those of the Canadian banks, but also the proportion of demand liabilities has been greater. The author presents and analyzes significant data concerning loans and investments in relation to growth of population, industrial production and total bank resources in the two countries. By R. R. Foster. *Barron's*, October 2, 1933, p. 18:1.

#### Price Fixing—The Third Effort

Dr. Edie points out that there are many different brands of price fixing as well as vastly different methods of achieving it. The present efforts in this direction, he maintains, must be considered, not on the basis of previous failures, but in the light of existing conditions and policies.

The main factors which have motivated the Administration's price fixing policy are: 1. The inequality of agricultural and industrial prices; 2. the unfair competition and vicious selling below cost in certain lines of industry and trade; and 3. the necessity for mass purchasing power to expedite recovery. The author finds a justification for the Administration's policy and the means by which it is endeavoring to reach its objective. "Price fixing in some form," he concludes, "is probably here to stay. If this immediate form fails, the alternative is probably not to go back to rugged individualism but to go into more drastic controls. It is to the interest of industry to make the thing work." By Dr. Lionel D. Edie. *American Bankers Association Journal*, October, 1933, p. 20:3.

#### Cooperative Credit Movement in 1932

An inquiry by the Bureau of Labor Statistics covering 91 per cent of all the cooperative credit societies in the United States showed a combined membership of 301,119 at the end of 1932. Share capital aggregated nearly \$22,000,000, and the combined assets of the societies in 23 states



amounted to more than \$31,000,000. Nearly 16½ million dollars was granted to members in loans during the year, while over half a million was returned in dividends, by societies which reported on these points. As compared with 1929, although the number of societies nearly doubled and the membership rose some 14 per cent, a decrease in share capital and business was shown. *Monthly Labor Review*, October, 1933, p. 771:5.

#### **Budgetary Control of Capital Expenditures**

In large corporations of a producing and distributing nature, the investment in capital assets represents a considerable part of total investment, and amounts expended annually for renewals, betterments, and additions are likely to run into large sums. Adequate control must be exercised over such expenditures. To this end, the budgetary expedient may be adopted with profit.

The main budgetary control procedures with respect to capital expenditures in use by a large parent corporation and its subsidiaries operating factories and maintaining branches throughout the United States and Canada are described. The system outlined is sufficiently flexible to permit modifications necessary to meet the peculiar conditions of other corporations having large capital expenditures. By John R. Lake, Jr. *The American Accountant*, September, 1933, p. 270:6.

#### **The United States as a World Creditor**

The long-term investments of a nation have been likened to the fixed capital of a manufacturer; its short-term investments, to his working capital. Just as a rich manufacturer with large assets may be embarrassed at times, if too large a share of his working capital is borrowed, so a nation may be embarrassed in its international financial relations, if too much of its working capital is borrowed.

During the period from 1925 to 1932,

the creditor position of the government nominally improved. On private long-term investments, the increase in net assets that was marked from 1925 through 1930, turned after that year to a slight decline. But these are not the most significant facts in the recent changes in the creditor position of the United States. Far more important is the change in the short-term account, in which at the end of 1932 we had attained a creditor position. This gives us a better basis for future operations than the adverse balance of short-term indebtedness that prevailed in the last decade. *Conference Board Bulletin*, September 20, 1933, p. 65:5.

#### **Restoration of the Gold Standard**

The Professor of Economics at Leeds University believes that the gold standard stands for internationalism in economic affairs; it is a condition of free development of trade between nations. It should not be forgotten that, if most countries were on the gold standard, secular changes in the value of gold would be relatively small. Post-war changes in the value of gold have been due not to the gold standard, but to the failure of a number of countries to operate that standard. By J. H. Jones. *Industry Illustrated*, September, 1933, p. 2:3.

#### **The Price of Deposit Insurance**

The inauguration of a system of deposit insurance by the Banking Act of 1933 of itself forms a land mark in American banking history, but it is probable that in the long run, the provisions as to Reserve membership and the control of banks incidental to the operation of the plan will prove far more important. Surveys indicate that under the temporary deposit insurance set-up, which is to operate between next January and next July and which covers all accounts up to \$2,500 as a limit of liability, 96.5 per cent of all depositors will have their deposits fully covered but over three-fourths of the de-

posits are not covered. In the permanent system which is to operate after next July and which fully covers all accounts up to \$10,000 with limited liability for higher sums, 99.3 per cent of the individual depositors will have 100 per cent coverage, though they furnish only 39.6 per cent of deposits.

After July 1, 1936, banks can remain in the corporation only by becoming members in the Reserve System. Since it is the universal opinion that no banks out of the guaranty scheme can successfully compete with banks within it so long as it exists, the alternative offered the non-member is either to join the Reserve or go out of business.

"The pressing problem," the author concludes, "is that of the small non-member bank. The alternatives allowed the Government afford no solution. Assuming that 8,300 and more of these state non-member banks can be examined satisfactorily between now and the first of next January—which is probably to assume more than is possible—either the deposit insurance corporation must insist upon the banks' meeting a strict test of eligibility and sound condition, thus closing many banks and causing further deflation of credit, or it can permit more or less looseness in the forthcoming bank examinations, admit many banks of doubtful condition into the deposit guaranty system and thus lead to

eventual heavy losses and an early collapse." By George E. Anderson. *American Bankers Association Journal*, October, 1933, p. 17:4.

### What Any Industry Can Do to Rationalize Prices

Because an illogical, uneconomic price structure is the heritage of many industries, clarification of this structure, without any taint of price-fixing, is one of the major advances any industry can take toward real recovery. The first step in an attempt to formulate a price structure, the author points out, is the clear definition and classification of trade outlets and of customers. The second step is to determine whether you will have one net price list less discounts or separate net price lists to each class of trade. The final step involves a determination of the kind of discounts or differentials necessary for various functions performed for various quantities purchased.

Although admitting that the application of this program involves fundamentally different complications in different industries, the author discusses the general problems involved and suggests means whereby the codes of fair competition may be utilized in solving them. As told to Herbert Kerkow by R. O. Eastman. *Sales Management*, September 1, 1933, p. 208:3.

## Insurance\*

### Fluctuating Value Forms

Objections to the reporting form of floater insurance are cited; an alternative plan has been promulgated by the Chicago Board of Underwriters, known as the merchandise and fixture form. The form has been endorsed but not adopted by the Western Underwriters Association and the Western Insurance Bureau.

The form is designed for use wherever

the reporting form may be used, but it is not a reporting form itself. It is so drawn that the insured will be induced to adjust the amount of insurance at the beginning of each month, the co-insurance clause applying to the value of the property at the time of the fire. The policy is then endorsed, increasing or reducing the specified amount of insurance. The burden is upon the insured to see that the insurance is

\* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.

kept to the proper amount. It is hoped that this new form will meet the requirements of the insured and eliminate much of the opposition as to floater policies now existing. By Jay S. Glidden. *The Weekly Underwriter*, November 4, 1933, p. 859:3.

Note.—It is a grave question if this new form will meet the requirements where values fluctuate materially and with suddenness. Many purchasers of insurance are not able to gain information promptly enough to order insurance. A gap in time or amount of coverage will inevitably occur.—Ed.

#### Use and Occupancy Adjustable Form

There is a demand for a form which will keep the amount of U&O insurance more nearly in step with fluctuating business earnings, and a reporting form seems to be the answer. Under the *per diem*, per weekly, fluctuating and contribution form, the only means provided for an adjustment of the amount of U&O insurance to current values, is constant vigilance on the part of the insured. That is far from being an adequate safeguard, as the disturbed

conditions which bring about a change in U&O values, distract the insured's attention from his insurance. The continuous records required by the reporting form of policy will give an up-to-the-minute statement of current experience and values, furnishing automatic coverage and a basis for adjustment of losses.

The feasibility of a reporting U&O form has been questioned by some persons, but the writer points out that it has worked in other lines of insurance. By Howard Campbell. *Best's Fire Insurance News*, October 20, 1933, p. 308:2.

Note.—For a discussion of the various forms of U&O insurance see "Use and Occupancy Insurance," by P. D. Betterley, A.M.A. Insurance Series No. 5, 1931.—Ed.

#### Social Insurance

A consideration of the principles, practicability, and effects of social insurance, in papers presented before the Academy of World Economics. Edited by C. A. Kulp. *The Annals of the American Academy of Political and Social Science*, November, 1933. 169 pages.

## OFFICE MANAGEMENT

### Organization: Job Analysis, Employment, Pay, Tests

#### Manual for Executives

Each new executive affiliating with the Upson Company is given a manual called "Executive Procedure" which sets forth certain rules, regulations and company practices that he is expected to observe. The manual is divided into three parts. The first covers "Maintenance of Offices and Furnishings." The second is devoted to more general rules and the third part to Personnel Rules. It is felt that the rules in printed form make it easier for an executive to know the course to pursue in any question of ordinary routine. The

plan is described by the advertising manager of the company. By Walter Raymond. *System and Business Management*, November, 1933, p. 506:2.

#### Employee-Attitude Interviews as Tools of Personnel Management

The analysis made in this paper of the favorable results which may be expected, of the limitations and the difficulties, and of the alternatives available, leads to the conclusion that for a company considering the introduction of an interviewing program on a large scale or for any long period with the expectation that tangible

results for that company will justify the expense and effort, the answer would be adverse. An interviewing program cannot be considered as a "plan," a group therapy, a trick device, or an easy answer to the complex problems of industrial relations.

The discussion indicates a valid use for the attitude interview as a managerial tool when a specific purpose has been determined on, the particular situation appraised, and provision made for using the interview with understanding. Probably the two most practical uses of the attitude interview are fact-finding and the securing of case material for use in supervisors' conferences. To pursue these aims singly or all at once, an elaborate program is not necessary; a short program or a single interviewer may

very well suffice. By D. H. Ewing. *Harvard Business Review*, October, 1933, p. 106:10.

### Occupational Testing and the Public Employment Service

The authors present a summary of the results obtained in a one-year demonstration of occupational testing in the reorganized Minnesota Public Employment Service, together with a statement of the recommendations which seem to be warranted by virtue of the experience gained in this pioneer venture. By John G. Darley, Donald G. Patterson, and I. Emerick Peterson. *Bulletin of the Employment Stabilization Research Institute, University of Minnesota*, September, 1933. 28 pages.

## Records: Forms, Charts, Cards, Files, Statistics

### How Simplified Procedures Reduced Our Operating Costs

The Manager of Office Systems, Westinghouse Electric and Manufacturing Company explains how that company made many unexpected savings, in the past few years, in branch offices by simplifying procedures. Invoicing costs were cut, time saved and errors reduced by a careful analysis of methods. Mr. Harris gives several illustrations of ways and means taken to reduce costs in their branch offices. By G. L. Harris. *System and Business Management*, November, 1933, p. 494:5.

### A Prospect Record File for Branch Offices

A prospect record file has been devised for branch offices of the General Refrigeration Sales Company. The file eliminates the possibility of overlooking a follow-up date, and enables the branch sales manager to keep a close check on the work of each salesman and on the progress of each possible sale. The record of the progress of the sale is carried on two cards. The original card, of white stock, is made out

by the salesman when he first interviews the prospect or is given to him with available information filled in if the source is a lead or inquiry. When not in use it is placed over the master card, which is printed on orange stock and is a duplicate of the original. The master card remains in the file until the sale is closed, lost or becomes inactive. On the reverse side of each card is space for data regarding calls and literature. The record card is pictured. *System and Business Management*, November, 1933, p. 502.

### Labels, Invoices Combined

A method of reducing paper costs in an office by combining related forms into systems or accounting units is described. An accompanying chart shows six methods of combining labels with invoices. By G. E. Russell. *System and Business Management*, November, 1933, p. 505:2.

### Our Accounting Machine Is a Sound Investment

A description of the accounting system used by the firm of Hudson Brothers, Ltd.,

(provision merchants and grocers) showing what the problems were and how they were solved by the accounting machine. Some of the bookkeeping records are illustrated. By Simpson Ashton. *Industry Illustrated*, October, 1933, p. 14:5.

## PRODUCTION MANAGEMENT

### General: *Promotion, Organization, Policy, Development*

#### Price Leveling Meets Three Big Obstacles

The great majority of metal-working plants, with diversified products and problems, cannot achieve the price-leveling goal until three major obstacles are removed. These obstacles are: variation in cost accounting methods, in management methods and in equipment modernization. The author sees the solution of these problems in the formation of manufacturers' associations under the NRA. By Francis Juraschek. *The Iron Age*, November 2, 1933, p. 30:2.

#### Rail and Truck Coordination

The assistant traffic manager of the Crown Willamette Paper Co., maintains that from the standpoint of the shipper a modification of the regulations allowing the publishing of joint rates by the rail and truck carriers and a strict regulation

of truck carriers in handling all truck shipments, would be a distinct improvement in transportation. Pointing out that the carriers exist solely for the benefit of the shippers who are bearing the burden of existing unsatisfactory conditions, the author affirms that it is the duty of the public to devise by regulation a satisfactory, coordinated system of transportation. By W. J. Van Arnem. *Packing and Shipping*, October, 1933, p. 11:2.

#### Busy the Year Round

Depression accomplishments of the Crosley Radio Corporation demonstrate that successful selling begins in the plant. This reorganized plant, people and products, and now counterbalances one seasonal product with another, operating at a profit. By L. C. Morrow. *Factory Management and Maintenance*, September, 1933, p. 343:3.

### Plant: *Location, Lighting, Heating, Ventilation*

#### Capitalize on the New Deal by Modernizing

A description of the improvements made in machinery and equipment by the Stover Manufacturing and Engineering Company in preparation for the new era of fair competition. By R. M. Bennethum. *Mill & Factory*, November, 1933, p. 34:3.

#### New Barriers to Progress?

Some plans for the scrapping of obsolete machinery as opposed to the rulings against the introduction of new machinery included in the Cotton Textile, Hosiery

and Steel Codes. The author believes that obsolete machinery has been the basis of existence of the chiseler and price-cutter against whom the NRA campaign has been directed; he maintains that every plant, no matter whether it is in a receivership or not, and regardless of whether or not it has been purchased at a bankruptcy sale at distress prices, shall be legally forced to write up a book value for its plant and equipment on a basis which will be fair to "high cost" producers as well as to all other members of an industry engaged in cost determination efforts. Instead of pro-



hibiting the installation of new machinery it would be far more practical to legislate out of existence antiquated, hazardous and inefficient machines. By Hartley W. Barclay. *Mill & Factory*, November, 1933, p. 23:10.

#### **Cleaning and Maintenance Equipment**

An explanation of the many uses to which portable elevators have been adapted in cleaning and maintenance work. By L. B. Murdock. *Mill & Factory*, November, 1933, p. 44:4.

### **Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration**

#### **Real Wages under Laissez-Faire**

The best test of the success of an economic system is the condition of the working classes who constitute the overwhelming majority of the population. To provide such a test for this country, the author constructs an index of real wages in terms of purchasing power from 1791 to 1932. He finds that the purchasing power of money wages increased during the period by an average of 1 per cent per annum. The rate of growth was accelerated in the periods immediately following wars and the only important interruptions in the rate of growth were in periods when currency or credit inflation was actual or threatened.

During the period under consideration, laissez-faire policy dominated the growth of our country and industry was granted an almost unprecedented freedom from controls. In view of the tremendous increase in real wages which took place during these years, the author points out that "no economic planners, from Lyscurgus to Lenin, have such a record to their credit, and it is doubtful at least if any ever will." By Rufus S. Tucker. *Baron's*, October 23, 1933, p. 6:2.

#### **Ten Guideposts to Profits Under Higher Wages and Shorter Hours**

The individual manufacturer should: 1. See that wage rates are in balance within his plant and in comparison to others in his locality; 2. Scrutinize all "non-productive" labor in his business, whether in the factory, office or sales force; 3. Use wage

incentive plans to the utmost; 4. Make sure of economical supervisory personnel; 5. Study plant layout carefully; 6. Use production planning methods; 7. Have adequate material control; 8. Practice accurate, prompt cost control; 9. Simplify routine; 10. Make sure management is effective. By Charles R. Hatch. *System and Business Management*, November, 1933, p. 487:4.

#### **Forestalling Labor Troubles**

As indicated by the records cited in this paper, labor troubles are greatest in those industries or processes where productivity per worker is lowest. Low productivity is most frequently accounted for by the fact that equipment needs replacing. Wherever equipment has been replaced by improved designs which permit the worker to increase his output per 1,000 hours, it has been found that the machine: 1. Relieves the worker of much of the former strain and fatigue; 2. Eliminates much of the complaint occasioned by unpleasant or hazardous working conditions. Such advantages serve to eliminate the fundamental causes underlying a desire on the part of labor to organize. By Allen W. Rucker in collaboration with N. W. Pickering. *Farrel-Birmingham Company, Inc.*, 1933. 11 pages.

#### **Interstate Compacts Affecting Labor and Industries**

A commission on interstate compacts affecting labor and industries has been created by the State of Massachusetts as a

step toward attaining greater cooperation between the various states in establishing more uniform labor laws. The commission is authorized to meet, with similar commissions formed in other states, for the purpose of drawing up a joint report to be submitted to the state legislatures. By such action it is hoped the labor laws will be made more uniform, and the handicap placed upon states having more advanced laws regulating labor will be removed. *Monthly Labor Review*, October, 1933, p. 844:2.

#### Land Utilization for the Unemployed

Throughout the depression, proposals have been advanced from a number of sources to the effect that a portion of the urban unemployed be placed on unoccupied land. Although details of these plans have varied considerably, they have had as their common objective a lightening of urban relief burdens and a rebuilding of morale on the part of those transferred by making them self-supporting. The assumption implied in these back-to-the-land proposals, that ample good land is available for the taking, is not supported by agricultural authorities in the industrial states. In addition to this, the large exodus from cities to rural communities that has taken place naturally and for the most part without special stimulation in the last three years indicates that those who have an immediate agricultural background or who really desire to live on farms have for the most part already made the change,

and that the industrial unemployed included in any organized back-to-the-land project would be largely urban people without agricultural experience, whose ability to survive or willingness to stay on a farm would be at best doubtful. This fact injects into back-to-the-land proposals a far greater element of uncertainty of success than would be the case if it could be assumed, as is often the case, that such a movement would be the means of assisting to establish on the land persons well able to maintain themselves there. A complete change in the mode of life of individuals cannot be brought about and made permanent on a large scale, unless there are compensations in the new scheme that outweigh advantages of the old. Certainly any plans that go no further than moving the urban unemployed to subsistence farms without careful provision for needs that will immediately arise cannot hope to have any considerable success. *Conference Board Service Letter*, October 30, 1933, p. 73:3.

#### Employee Representation in Chrysler Plants

More than 86 per cent of the employees of Chrysler Motors voted by secret ballot to adopt a joint council plan of employee representation. The entire plan is given and is accompanied by a letter from W. P. Chrysler to the employee presenting and interpreting the plan. *Factory Management and Maintenance*, November, 1933, p. 453:5.

#### Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

##### Health and Business Recovery

The return of industrial activity, Dr. Fisher states, will bring with it new problems in employer-employee relations.

Some future job-applicants, after long periods of unemployment, will be over-anxious to please with a resultant rise in the accident rate. Others so long used to idleness will need complete mental adjust-

ment to be an economic factor in industry. Employees who have been retained through the depression will also be affected by any increase in activity. Many have been doing the work of two men and the fatigue element is apt to be present both mentally and physically. The author thinks the best pension an employee may have is the knowledge of work being available as

long as his physical condition will permit. By Hart Ellis Fisher. *Industrial Medicine*, September, 1933, p. 166:6.

#### **Safety Devices in the Modern Safety Program**

A discussion by the Manager Employees' Service, Westinghouse Electric & Manufacturing Company, of the need for more enlightened safety measures in industry. To maintain safety equipment and standards at their proper effectiveness, a special system of inspection must be installed. Mr. Auel describes the safety calendar used by his company in looking after equipment. A copy of this calendar illustrates the discussion. By C. B. Auel. *Mill & Factory*, November, 1933, p. 30:5.

#### **Preliminary Surveys of the Industrial Environment**

A study dealing with methods used in conducting a sanitary survey and occupational analysis of an industrial environment. The sanitary survey of work rooms yields information concerning the presence

and extent of various health hazards. The occupational analysis shows the activities involved and the particular hazards associated with each occupation. This study is illustrated by tables. By J. J. Bloomfield. *U. S. Public Health Service Report No. 44*, November 3, 1933, p. 1343:8.

#### **What Progress in Safety?**

A review of the accident experience in the chemical industry, covering the past six years, shows a pronounced reduction in the frequency of disabling injuries, but a marked increase in the severity of the injuries since 1929. In quoting statistics on the subject, the safety director of the Pennsylvania Salt Company points out that while carelessness and thoughtlessness are two big factors in the severity increase, worry has been the underlying cause for many serious injuries. He feels that if frequency and severity rates are to be reduced the one way to do it is by adequate and correct safety supervision. By Ira V. Kepner. *Chemical Industries*, November, 1933, p. 401:3.

#### **Benefit Systems and Incentives: Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership**

##### **The Older Employee in Industry**

Questionnaires were sent to 5,000 manufacturers in this survey as a step in ascertaining what provisions these organizations had made for the older employee in industry. Of the companies that replied, 800 indicated that they were attempting to arrive at some solution to the problem. According to this report, discovery of the problem cases is the first detail to be considered. This step requires decisions as to what procedure to follow, whether it be adjustment of wages, hours or duties.

Some companies have plans for a systematic review of the records of employees when they reach a specified age. The practices of various organizations are described. Two charts are reproduced with this report: 1. The Older Employee, Chart of

Alternative Procedures; 2. Detailed Chart of Possible Procedures, Older Employee Continued on Payroll. *Policyholders Service Bureau, Group Insurance Division, Metropolitan Life Insurance Company*, 1933. 28 pages.

##### **Demonstrated Value of Employee Thrift Plans**

A thrift plan should enable the worker to accumulate his surplus earnings over and above what is required to maintain a fair standard of living, and to so invest this surplus that it will be available for his use whenever the need arises. The credit union, according to the author, is one thrift plan that fulfills these requirements. Credit unions operate under the supervision of state banking departments,

are examined annually by state bank examiners and are eligible to relief from the R.F.C. By Roy F. Bergengren. *Industry*, October 28, 1933, p. 5:3.

### Old-Age Pensions

Twenty-six states and the territories of Alaska and Hawaii have established old-age pension systems for caring for their

aged and needy residents. During the current year Arizona, Arkansas, Colorado, Indiana, Maine, Michigan, Nebraska, North Dakota, Oregon, Washington, and the Territory of Hawaii adopted old-age pension laws. A discussion of these recently adopted laws and a chart analyzing the laws of the entire 26 states, Alaska, and Hawaii are included. *Monthly Labor Review*, October, 1933, p. 852:8.

### Shop Methods: *Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study*

The Installation of Scientific Management in the Railway Car Plant of Messrs. Lilpop, Rau & Loewenstein, Warsaw, Poland

A description of the methods of management which were introduced in this plant and an account of the sequence of installation and how the cooperation of the personnel was secured. It considers the extension of the methods to the departments where parts were produced, the technique of organizing the departments which serve the producing shops, and the reorganization of the subsidiary shops. *International Management Institute*, 1933. 48 pages.

### Costs Kept in Hand by Bonus Plan

A delineation of the time study plan practiced by the Liquid Carbonic Company. Production is paid for on the Halsey "50/50" plan; a standard time is set for the job, and the man is paid half of any saving over allowed time, or straight time if he fails to make the allowance. The following illustrations are included: 1. Observation sheet, showing method of setting a standard time; 2. Instruction card given to machine setter; 3. Card serving as record of standard job times. By W. H. Roehlke. *Factory Management and Maintenance*, November, 1933, p. 446:3.

### Research and Experiment

#### Tested Quality's Growing Niche

With the good flag Quality hoisted on its masthead again, there is a new significance to the findings of testing laboratories. The quality argument must include scientific facts as well as skillful rhetoric to be convincing, and retail advertisers have just begun to realize what important sales support laboratory test information provides.

For twenty-two years its testing laboratory has been an integral part of Sears, Roebuck's buying and selling activities. As the Sears laboratory operates (and it may be cited as an outstanding successful one) about three-fourths of the work is

defensive—to avoid making mistakes in buying merchandise and misrepresentation and misstatement in selling it. On the aggressive side the laboratory works to improve standards, to develop character and quality in merchandise in all fields. In some fields it has done important pioneer work, notably in obtaining fastness of dyes in textiles.

The testing laboratory has removed the element of guesswork from the maintenance of quality standards, and has yielded a valuable fund of exact information which is put to practical every-day use in advertising and selling. As the author points out, this type of approach to the retailer's

responsibilities will be more widely adopted when more merchants realize that in trying to sell quality, they are calling attention to something that the customer very often cannot see or recognize. By Winifred Wadsworth. *The Merchandise Manager*, November, 1933, p. 14:3.

#### A Psychological Approach to Market Research

"Market research, in these days of acute over-production and acute under-distribution, has been given a place of great prominence in business. Like everything else which has even a semblance of newness, it has been suggested as a panacea for all industrial ills. Absurd claims have been made for it, and widely varying types of work have been included under the general heading." The author attempts to

consider the nature of true market research and to ascertain what it can and cannot do for industry.

The modern market research worker, he finds, often employs an unsound technique insofar as he seeks to reduce the customer to the status of a mechanical unit, which can be integrated to a vast machine called "the public." Two conclusions are inherent in the author's analysis: 1. In the present state of knowledge, market research is not an exact science, but a matter of very broad approximation; 2. The problem bristles with difficulties which are mainly psychological. When these limiting factors are properly considered, however, market research can be made an effective tool of management. By N. M. Balchin. *The Human Factor*, November, 1933, p. 375:11.

## MARKETING MANAGEMENT

#### The Road to Profitable Merchandising for the Capital Goods Manufacturer

Pointing out that 50 per cent of the equipment in use in industry today is obsolete, the vice-president of the McGraw-Hill Publishing Company, states that industrial organizations should gear their advertising of capital goods to modernization, because that is the only outlet the manufacturer of equipment will have in this country for the next few years. By Mason Britton. *Executives Service Bulletin*, October, 1933, p. 1:3.

#### Pricing Goods to Protect Profit Under NRA Costs

The ratio of sales cost to total dollar sales must be completely discarded if profits are to be made under the NRA. The true sales cost, according to Mr. Rucker, is the ratio of sales cost to gross margin. The correction of fluctuation in true sales costs is the installation of a master profit budget. This master profit

budget sets a fixed percentage of margin for all administrative, sales and advertising costs. Accompanying the article are several objections raised to the theory expounded and the author's answers to these objections. By Allen W. Rucker. *Sales Management*, October 20, 1933, p. 397:2; November 1, 1933, p. 444:2.

#### Better Packages for Pick-Up Items

Great strides have been made in improving the display and presentation of department store merchandise, particularly main floor items, as the result of the combined creative efforts of store merchandisers, manufacturers and industrial designers in the employment of synthetic packaging materials. Alertness on the part of merchandisers to packaging opportunities pays in the form of increased sales of quality products, a larger unit of sale through the combination of related items in a single package, decreased markdowns and lower freight and handling costs in



the case of plastic containers. By Mary C. Cookman. *The Merchandise Manager*, September, 1933, p. 15:3.

#### Consumer Prejudice as a Factor in Marketing

Prejudice is a power capable of making or breaking a business enterprise, and has never received the consideration it deserves from either the marketing executive or general public. After describing the evils of prejudice, the author tells of ten specific methods open to marketing executives in fighting this handicap. By Vergil D. Reed. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 20:5.

#### Consignment Selling

Although several of the codes already approved carry provisions against consignment selling, the author is convinced that when properly planned and executed, consignment selling can become a valuable aid to increasing the sale of a product and stabilizing its distribution, while at the same time proving satisfactory from a

profit-making standpoint. The consignment selling plan under which Mazda lamps have sold successfully for over fifteen years is described. By O. Fred Rost. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 49:4.

#### Will the Small Dealer Become a Big Factor in Specialty Sales?

Because tight money has made sales hard to obtain and the house-to-house canvasser has been sadly overworked, the specialty manufacturer faces the problem of rehabilitating the small dealer, which means going back to the first principle that the dealer be given a trade deal which will allow him to prosper. It further entails intensive help from the manufacturer, so that the dealer may represent an effective outlying combination display room and resale organization.

The manufacturer may have to carry the dealer a long distance but in the end both he and the dealer will find themselves arrived at a new prosperity. By P. A. Scott. *Sales Management*, October 1, 1933, p. 312:3.

#### Sales Promotion: Letters, House Organs, Advertising

##### How We Test and Check Direct Mail and Newspaper Advertising

Business from direct mail and newspaper advertising has increased for the Postal Life & Casualty Company every year since it was organized in 1927. The courage to experiment until the most effective and least costly methods of advertising were determined has been in a large measure responsible for the results attained. The Executive Vice-President in charge of this work describes his methods and policies. "Our experiments," he says, "have proved to us conclusively that no idea is too dumb or too contrary to advertising principle and theory to try. . . . Executives spend too much

time finding out what their competitors are doing. A business possesses a distinct personality, just as an individual does, and should be developed as such." By M. B. Salisbury. *Sales Management*, October 20, 1933, p. 405:2.

##### New Selling Plans to Bring Results

The author presents a systematic report on some of the more significant sales campaigns and sales methods now being used by companies whose executives refuse to wait for business to come to them. Among the plans and methods which he describes are the following: a consumer-salesman sales contest, an intensive canvassing of prospects, new customer credit plans, push-

ing the sale of higher priced lines, concentrating on most promising markets, sales-stimulating sales contests, and the teaching of sales outlets methods of creating new business. By Harwood F. Merrill. *Forbes*, November 1, 1933, p. 8:3.

### The Place of Branded Merchandise in Retail Advertising

In estimating the place of branded merchandise in retail advertising the following must be considered: 1. the consumer—customers at this time are watching for more accurate advertising; 2. the retail distributor—retailers have now cast aside the old prejudice against branded merchandise and have found out that a well known, quality-tested brand helps considerably in gaining the attention of customers and in winning and holding their confidence; 3. the manufacturer—the manufacturer of a quality brand stands behind his product to the extent of advising the retailer on buying and reordering, giving him promotion helps, supplying up-to-the-minute fashion information, and giving numerous other aids to his retail distributor. By Roy E. Tilles. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 29:3.

### Label Strategy

An outer label for merchandising and utility purposes and an inner label for dress occasions is the new label strategy of the G. Washington Coffee Company. The outer label has such identifications and merchandising marks as are deemed necessary by legal and accepted requirements. This label is torn off to disclose the inner label, lithographed directly onto the can. By Frank A. Haring. *Shears*, October 30, 1933, p. 45:1.

### Wanted—A New Deal for Advertising

With all retail stores working by agreement under almost the same conditions each retailer, the author says, is dependent

on his ability, through sound advertising, merchandising and service to impress people with the fact that his is the best place to buy although they may get the same products at practically the same prices at another store. By I. A. Hirschmann. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 27:3.

### Advertising Looks at the Consumer

The factor which, according to the author, will decide, not only whether or not an organization is to profit in business, but whether it is to be allowed to stay in it, is the consumer. He recommends: 1. a closer observation of what goes on in the mind of the consumer; 2. a new policy regarding the taxes which go into the retail price of a product; 3. a new deal to the consumer by selling an article at the "Social Price." By Paul Hollister. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 24:4.

### How Super-Shell Doubled Its Sales in One Month

For the past two years Super-Shell has carried on an intensive survey among its customers. Super-Shell Company looks upon the consumer as a sales manager. It learns the facts from him and then teaches them to the personnel to be presented to the consumer in a personal form. This survey brought about sales increases as high as 400 per cent. By Paul Ryan. *Advertising & Selling*, October 26, 1933, p. 40:2.

### Proceedings of the Sixteenth Annual Convention of the Direct Mail Advertising Association

The convention was divided into the following special conferences: Better Letters; Marketing; Direct Selling; Advertising Salesmanship; Industrial Advertising; Re-

tail. Several General Sessions were also included. Held at the Hotel Sherman, Chicago, September 26-29, 1933. *Direct Mail Advertising Association*, November, 1933. 128 pages.

### **We're Weighing Selling Phrases**

A new merchandising effort to stimulate sales by testing customer reaction to the introductory phrases used by salespeople, is in progress in the stores of the Pennsyl-

vania Drug Company. Salespeople are given an introductory phrase—they may use their own wording—and are asked to keep a record for a week of each customer's response; then they are given other phrases. The results are checked and the most successful put into use in the various stores. By Harry Griffiths. *Chain Store Age (Druggist Edition)*, November, 1933, p. 32:3.

## **Salesmen: Selection, Training, Compensation**

### **Ask the Salesmen, They Know**

Taking the sales department into conference and into confidence is, according to the author, the best thing a company can do. Salesmen calling on buyers and non-buyers in their daily rounds, find out what the customer needs and wants. There would be much less use for "errata slips" and "correction notices" if catalogs, bulletins, sales manuals, sales campaigns and other materials were submitted in advance proof form to the sales force. By W. Hunter Snead. *Printers' Ink*, October 26, 1933, p. 74:2.

### **Selecting and Training University Men**

A description of the process of selecting and training university men which is in use in one department store. Entrants are limited to first class or good second class honours men. Special methods devised for rapid and accurate learning are introduced into the training course; and a tutorial system intended to develop initiative and

to foster the adjustment of personality is used. The plan is described by the Staff Manager of Harrods, Ltd. By F. W. Lawe. *Industry Illustrated*, October, 1933, p. xvii:3.

### **This Club Builds Enthusiastic Sales Force**

Remuneration, fraternity, recognition and aspiration are the essentials which drive a salesman on to new peaks of performance. The Norge Company studied a year to organize some form of permanent inspiration. They analyzed the basics of behaviorism, the enduring appeals to salesman's emotions and the framework upon which a program should rest. The outcome has been the organization of the Norge Viking Club, a national organization of leading salesmen, selective in nature and permanent in form, which has already aroused many sales benefits since its inception in January, 1933. By John H. Knapp. *Printers' Ink*, October 5, 1933, p. 85:4.

## **Retailing**

### **Distribution Groans under Increasing Taxation**

Along with the search for new revenues has come a nation-wide movement of certain interests to place checks, in the form of heavy taxation, upon the progress of large-scale retailing, and especially that of

the chain stores. Twenty states now have general sales tax laws. This form of taxation has the advantages of productivity and practicability, but the disadvantages of unequal and frequently harmful effects upon business and consumers. Assuming, however, that a state is determined to im-

pose a general sales tax, it is preferable that the tax be laid exclusively upon retailing. This raises the complicated question, what is retailing? The answer must rest with the administration, which will be called upon to decide many hair-splitting cases.

"The most objectionable consequence of the discriminatory taxes against large retailers," the author concludes, "is that they prevent consumers from buying where they prefer to buy, if the taxes are effective, and compel consumers to trade with the smaller or independent merchants by eliminating some of the price advantages of the larger merchants. The use of political powers to settle economic issues, while it is characteristic of our bewildered age, is a dangerous expedient. The issue of small and large scale retailing should be an issue of the relative efficiency of large and small merchants in serving the public, and not an issue of political strength and power. Our laws should treat competitors with uniform justice, instead of favoring one form of distribution to the loss of another and the consuming public." By Alfred G. Buehler. *Advertising & Selling*, October 12, 1933, p. 24:3.

#### **The Responsibilities of Field Employees in a Public Relations Program**

The Kroger Grocery & Baking Company holds each branch manager responsible for the public relations of the company within the area covered by branch operations. The branch manager is expected to concern himself with the following factors: 1. cleanliness, courtesy, and fairness of store personnel; 2. friendly relations with firms selling to them and with

competitive firms; 3. prompt and fair consideration to customers' complaints; 4. active participation by Kroger personnel in the life of the community, including membership in Chamber of Commerce and donations to charity. By C. O. Sherrill. *Executives Service Bulletin*, October, 1933, p. 7:2.

#### **Retail Credit Survey, January-June, 1933**

Reports from 418 retail establishments, including 96 department stores, 62 furniture stores, 44 jewelry stores, 62 men's clothing stores, 48 shoe stores, 72 women's specialty stores, 14 electrical appliance stores, and 20 automobile accessory stores, located in 29 cities, with total net sales of \$366,623,589. *Domestic Commerce Series No. 84*, 1933. 35 pages.

#### **Proceedings of Third Annual Retail Conference**

Held under the auspices of the Pennsylvania State College Retail Bureau of the Extension Service, August 21, 22, 1933. 48 pages.

#### **Meeting Cut-Throat Competition**

Chief among retailing's abuses is cut-throat competition. But the New Deal, combined with the basic rules of down-to-date, sound retailing, will speed the exit of the "cut-throats" by several decades, according to the author.

Retailers should select their customers, buy the merchandise customers want, have the merchandise available at the time they want it, sell it at the price they will "willingly pay" and maintain a store atmosphere they will enjoy. By Chester E. Willard. *The Rotarian*, October, 1933, p. 33:4.

### **Wholesaling**

#### **What Is Ahead for Wholesaling**

The wholesaler must satisfy the manufacturer by distributing his goods aggressively and in keeping with the manufac-

turer's production and he must perform the distributive function circumspectly; he must not overstock his customer, and should endeavor to sell his customer goods which can be successfully resold. The

wholesaler today has learned to look upon his customer not as someone to sell goods but as the retail distributor of his goods. The author explains the points stressed by Marshall Field & Co. in the furtherance of proper balance between manufacturer and retailer. By C. A. Schuster. *Proceedings of the Boston Conference on Retail Distribution, Retail Trade Board, Boston Chamber of Commerce*, 1933, p. 43:5.

#### **Wholesale Distribution of Breakfast Cereals in Southern Michigan**

The problems encountered by wholesalers in handling branded breakfast cereals

are illustrative of similar problems existing in other divisions of the food industry in which a few highly competitive national brands dominate the market. This study, although devoted primarily to a consideration of the marketing problems of wholesale grocers in handling branded breakfast cereals, is significant in portraying the problems that arise when a manufacturer, through national advertising and sales promotion activities, forces wide distribution of a convenience good in a highly competitive market. By Edgar H. Gault and Raymond F. Smith. *Michigan Business Studies, Vol. V, No. 4*, 1933. 47 pages.

### **Books Received**

#### **Planning for Residential Districts.**

Edited by John M. Gries and James Ford. The President's Conference on Home Building and Home Ownership, Washington, D. C., 1932. 227 pages. \$1.15.

#### **House Design Construction and Equipment.**

Edited by John M. Gries and James Ford. The President's Conference on Home Building and Home Ownership, Washington, D. C., 1932. 325 pages. \$1.15.

#### **Home Finance and Taxation.**

Edited by John M. Gries and James Ford. The President's Conference on Home Building and Home Ownership, Washington, D. C., 1932. 278 pages. \$1.15.

#### **Housing Objectives and Programs.**

Edited by John M. Gries and James Ford. The President's Conference on Home Building and Home Ownership, Washington, D. C., 1932. 345 pages. \$1.15.

#### **1933 Cumulative Supplement to Federal Income Taxation.**

By Joseph J. Klein. John Wiley & Sons, New York, 1933. 1134 pages. \$6.00.

#### **Foreign Exchange.**

By Albert C. Whitaker. Appleton & Co., New York, 1933 (second edition). 466 pages. \$5.00.

#### **Proceedings of the Eighteenth Annual Meeting of the National Association of Commercial Organization Secretaries,**

Held in Memphis, Tennessee, October 23-26, 1932. NACOS, Chamber of Commerce, Memphis. 341 pages.

#### **The Robert Collier Letter Book.**

By Robert Collier. McGraw-Hill Book Co., New York, 1931. 434 pages. \$5.00.

#### **Science in Action.**

By Edward R. Weidlein and William A. Hamor. McGraw-Hill Book Co., New York, 1931. 310 pages. \$3.00.

#### **Service Ratings.**

By J. B. Probst. Bureau of Public Personnel Administration, Chicago, 1931. 94 pages.

#### **Transactions of the American Foundrymen's Association. Vol. XXXVIII—**

1930. Proceedings of the thirty-fourth annual meeting, May 12-16, 1930. Edited by Robert E. Kennedy. American Foundrymen's Association, Chicago, 1931. 916 pages.

#### **Transactions of the American Foundrymen's Association. Vol. XXXIX—**

1931. Proceedings of the thirty-fifth annual meeting, May 4-7, 1931. Edited by Robert E. Kennedy. American Foundrymen's Association, Chicago, 1932. 964 pages.



**Extraordinary Popular Delusions and the Madness of Crowds.** By Charles Mackay. L. C. Page & Company, Boston, 1932. 724 pages. \$6.00.

**A Source-Book for the Study of Industrial Profits.** By Ralph C. Epstein in collaboration with Florence M. Clark. U. S. Department of Commerce, Washington, D. C., 1932. 207 pages.

**The Strategy of City Church Planning.** By Ross W. Sanderson. Institute of Social and Religious Research, New York, 1932. 245 pages. \$2.00.

**Introduction to Industrial Management.**

By E. C. Robbins and F. E. Folts. McGraw-Hill Book Co., New York, 1933. 356 pages. \$3.00.

**Insurance Thrillers.** Sinister mysteries centering about insurance frauds. Published in *The Weekly Underwriter*. Underwriter Printing and Publishing Co., New York, 1932. 397 pages. \$1.50.

**Thunder and Dawn.** By Glenn Frank. Macmillan, New York, 1932. 404 pages.

## Survey of Books for Executives

**Counter-Attack.** By Millard E. Tydings. Bobbs-Merrill Company, Indianapolis, 1933. 141 pages. \$1.25.

The four horsemen of the depression, according to Senator Tydings, are Captains Tariff and Embargo, Depreciated Currency, War Debt and Armament. Of Tariff and Embargo the author says, a prohibitory tariff means nothing more or less than a refusal to bring new wealth to the United States, and a refusal to employ workers in the manufacture of products for sale abroad. "The policy of 'Buy American!' is in reality, a policy to Sell American Short!" The ills of depreciated currency are laid to the fact that the United States holding over one-third of the world's gold stock has been calling for debt payments and balance of trade payments in gold, with the result that countries on the silver standard started dumping silver and thus glutted the silver markets of the world. In answer to the question, Is it good business to obtain payment of the amount still owing or should we cancel all or part of the war debts now due?, Senator Tydings points out that even if the debtor nations could make payment in gold as promised our foreign trade with them would be totally cut off. In reviewing the question of disarmament, the author shows that,

"The United States—meaning the people of the United States—loaned twenty foreign nations more than enough to meet their entire national defense expenditures during 1927. This has been happening almost every year since the close of the World War." The Senator from Maryland feels we have the right to insist that the money of American citizens loaned abroad shall not be used to support, directly or indirectly, war-size armies in periods of peace.

In the counter-attack on world depression our objectives should be: 1. A revival of the world's trade; 2. A final settlement of war debts; 3. A stabilization of national currencies; 4. A disarmament to a peacetime basis.

**The Roosevelt Revolution.** By Ernest K. Lindley. Viking Press, New York, 1933. 328 pages. \$2.50.

A history of the first six months of the "New Deal" from its earliest roots in the President's own mind down to the moment of pause and stock-taking in mid-October. The author, a Washington newspaperman, gives many "behind-the-scenes" and not easily come by details of the "Experiment." He explains the phrase, the "New Deal" as a happy—if more or less accidental—

combination of the "Square Deal" of Theodore Roosevelt and the "New Freedom" of Woodrow Wilson. The President's advisers and associates, the personalities of the Brains Trust, the make-up of the Cabinet, the White House family, are all described minutely. Mr. Lindley discusses happenings at the London Economic Conference, and gives hitherto unpublished reasons for Moley's resignation. The writer traces such measures as the farm and mortgage relief bills, the banking and securities acts, the Tennessee Valley Authority, the budget, public works, the veteran relief fight, the NRA; he covers our foreign relations: Cuba, debts, peace conference, Orient, Russia. And through it all shines the amazing personality of Franklin D. Roosevelt.

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**America Swings to the Left.** By Alva Lee. Dodd, Mead & Co., New York, 1933. 186 pages. \$1.50.

In attacking the Roosevelt administration policies, Mr. Lee declares that "the fallacies, sophistries and crooked reasoning behind the theory of 'economic planning' nowhere can be better observed and comprehended than by consideration of the National Recovery Act." The Act, he contends, is an attempt to treat symptoms with the cause of the disease ignored. The increased labor costs made necessary under NRA must be passed onto the consumer. He demonstrates with a table the fact that with the usual gross mark-ups added to the price of a product by factory owners, wholesalers and retailers, the factory worker's increase of 30 per cent will result in an increase of 46 per cent in cost to the consumer. With inflation, the author states, the middle class wage earner, the salaried and professional man will suffer the most. The greatest beneficiaries will be professional speculators who also are heavy debtors in a bull market. Of President Roosevelt, Mr. Lee says, "his most staunch supporters will not deny that he is, by long odds, the most socialistic and pater-

nalistic minded man ever elected to the presidency." The author concludes that "only by balancing our suffrage in such manner that no one class may prey upon another class, and, by balancing our legislative machinery so that majorities may rule in the interest of all the people, will the march to socialism be halted and turned back."

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**Dynamic Social Research.** By John J. Hader and Eduard C. Lindeman. Harcourt, Brace and Co., New York, 1933. 231 pages. \$3.50.

The title of this book need not terrify executives who want to study the "workings" of committee meetings, for that is the material out of which the book is elaborated. The reviewer's guess is that more executives might be interested were there less elaboration.

The book starts off intriguingly enough with a page or two of excerpts from the actual discussion in a joint committee meeting of employee and management representatives, but the next hundred pages of theoretical discussion are the hardest. The reader wavers between wondering whether this is all very profound or "much ado about nothing." Nowhere is there a straightforward, concise account of just what the experimenters did, how many committees and meetings they observed, the results, etc.

According to the authors, "The great gap in scientific management resides in the fact that it can say nothing about the relations of workers to workers, workers to supervisors, workers to management, management to owners, management to public, etc. That is, no scientific data on problems in these spheres now exist. The nature of the problem arising from human relations in industry is not clearly understood."

What the authors have attempted is to clarify this problem and to develop better techniques for studying it. Taking the Joint Committee as the epitome of the so-

cial problem in industry they have made observations or experiments in such committees their point of departure. Part IV of the book is entitled "Experimenting with Social Techniques and Devices," *vis*, Interviewing, Participant Observing, Observing, Analyzing Cases, Charting, and Statistics. As advocates for new departures in research the authors might more logically, it seems, have presented this part first, *i. e.*, their methods and findings, and then their argumentation.

As framework for the task of analyzing the phenomena of Joint Committee meetings they have taken the familiar SOR formula of psychology (Stimulus or Situation—Organism or Organization—Response) in which a full account of both S and O are called for to explain or predict R. This is no more than saying that to explain fully the outcome of a committee meeting you must know all of the factors conditioning the participants in it. An interesting contribution, however, to the study of what actually happens in committee meetings is the authors' adaptation for the purpose of what the time and motion study man calls a Process Chart. Subjection of committee procedures to such scrutiny is enlightening, and of course, changes for the better must envisage the hinterland of conditioning factors.

As a whole one gains the impression that the authors are defending a thesis for social research on the basis of rather limited experimentation with their techniques. The thoughtful executive will find much that is stimulating in it. Those who seek only the immediately useful and practical will not.

PAUL S. ACHILLES, *Managing Director,*  
*The Psychological Corporation.*

**Profit Engineering.** By C. E. Knoepfel.  
McGraw-Hill Book Co., Inc., New York,  
1933. 326 pages. \$3.00.

The author's thesis rests upon a fundamental proposition that profit is the primary concern of business. On this basis

he argues that there should be nothing residual about profit—that it should be planned instead of being left to accident, hope, or blind chance. "Profit," he states, "should be the first deduction from the dollar of income, and the business should be budgeted to operate on the balance."

The major portion of the book is devoted to a so-called "new tool of management," the Knoepfel Profitgraph, which the author has devised to clarify the presentation of essential information and to facilitate the use of this information in planning profits.

The book contains a foreword by Fred W. Shibley and supplementary chapters by Arthur J. Minor and E. St. Elmo Lewis.

**Toward Liquor Control.** By Raymond B. Fosdick and Albert L. Scott. Harper & Bros., New York, 1933. 220 pages. \$2.00.

In an effort to promote temperance, Mr. John D. Rockefeller, Jr., asked Messrs. Fosdick and Scott to make a thorough study of the methods employed in various countries of the world for handling the sale of alcoholic beverages. The results of this study show: 1. Statewide, bone-dry prohibition will prove unsuccessful in controlling the problem of alcohol, unless such a system has behind it overwhelming public support; 2. the experience of every country shows that light wines and beer do not constitute a serious social problem; 3. the license method of control is fundamentally wrong in that it retains the private profit motive which makes inevitable the stimulation of sales; 4. state control, through a central authority which maintains an exclusive monopoly of retail sale for off-premises consumption is the best approach to the problem; 5. the primary objective of taxation should be social control, not revenue; 6. education has a greater part to play in creating a sober nation than has legislative enactment, because public standards can be improved only as private standards are improved.

